

AUDITED FINANCIAL STATEMENTS  
SOUTH HAVEN MEMORIAL LIBRARY

June 30, 2007

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name South Haven Memorial Library	County Van Buren
Fiscal Year End June 30, 2007	Opinion Date September 6, 2007	Date Audit Report Submitted to State OCTOBER 10, 2007	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	NONE	
Certified Public Accountant (Firm Name) Calvin D. Meeusen, C.P.A., PLLC		Telephone Number 616-846-6210	
Street Address 1014 S. Beacon Blvd.		City Grand Haven	State MI
Zip 49417		License Number 1101006731	
Authorizing CPA Signature 		Printed Name Calvin D. Meeusen	

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**CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITOR'S REPORT**

South Haven Memorial Library  
South Haven, Michigan

I have audited the accompanying financial statements of the governmental activities and the fiduciary fund of the South Haven Memorial Library, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the South Haven Memorial Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements listed in the table of contents present fairly in all material respects, the financial position of the governmental activities and the fiduciary fund of the South Haven Memorial Library at June 30, 2007, and the results of the operations of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My report of comments and recommendations has been submitted under date of September 6, 2007.

 C.P.A. PLLC

September 6, 2007

South Haven Memorial Library  
Management's Discussion and Analysis  
June 30, 2007

Using this Annual Report

This annual report consists of the Library's financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library and present a longer-term view of the Library's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending.

The Library as a Whole

The Library's combined net assets increased less than 1% from a year ago - increasing from \$807,049 to \$811,812. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current Assets	\$286,290	\$299,982
Noncurrent Assets	<u>538,546</u>	<u>517,312</u>
Total Assets	<u>824,836</u>	<u>817,294</u>
Current Liabilities	1,827	3,068
Long-Term Debt Outstanding	<u>11,197</u>	<u>7,177</u>
Total Liabilities	<u>13,024</u>	<u>10,245</u>
Net Assets		
Invested in Capital Assets-Net of Debt	538,546	517,312
Restricted	12,507	20,640
Unrestricted	<u>260,759</u>	<u>269,097</u>
Total Net Assets	<u>\$811,812</u>	<u>\$807,049</u>

Unrestricted net assets, which represent net assets that can be used to finance day to day operations, decreased by \$8,338 for the year. This represents a decrease of approximately 3%. The current level of unrestricted net assets for our governmental activities stands at \$260,759 or about 81% of operating expenditures.

South Haven Memorial Library  
Management's Discussion and Analysis  
June 30, 2007

The following table shows the changes of the net assets as of the current date to the prior year:

	<u>2007</u>	<u>Governmental Activities</u>	<u>2006</u>
Revenues:			
Property taxes	\$ 225,577		\$ 208,749
State grants	9,631		9,013
Penal fines	45,297		47,366
Contributions	20,614		27,848
Fees and book fines	10,388		10,769
Interest	8,476		7,045
Other revenue	<u>6,549</u>		<u>8,712</u>
TOTAL REVENUES	326,532		319,502
Expenditures:			
Salaries and wages	152,883		141,792
Employee benefits	20,505		17,862
Payroll taxes	11,696		10,644
Supplies	6,399		3,697
Southwest Michigan Library Cooperative	1,721		2,102
Repairs and maintenance	1,709		2,271
Professional and contractual services	10,431		6,467
Insurance	4,708		3,282
Telephone	3,136		2,982
Building maintenance	16,035		9,170
Utilities	18,246		17,477
Depreciation	61,196		58,736
Miscellaneous	<u>13,104</u>		<u>10,166</u>
TOTAL EXPENDITURES	<u>321,769</u>		<u>286,648</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>4,763</u>		\$ <u>32,854</u>

The Library's net assets continue to remain healthy. The library has enough cash on hand at the end of the year to fund normal operating expenses in similar circumstances for ten months.

South Haven Memorial Library  
Management's Discussion and Analysis  
June 30, 2007

Governmental Activities

The Library's total revenues increased by approximately \$7,000, primarily due to the increase of property taxes.

General Fund expenditures increased this year which included increases in personnel costs, supplies and maintenance. Other expenses were reported as typical for the fiscal year.

The Library's Funds

An analysis of the Library's General Fund is on page 19, following the notes to the financial statements. The fund financial statements provide detail information about the most significant funds, not the Library as a whole. The Library Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Library's major fund for 2007 is the General Fund.

The General Fund pays the Library's general operating expenditures. The most significant are salaries and wages of approximately \$153,000 for the fiscal year. The Fiduciary Fund activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets.

General Fund Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events during the year. Library expenditures overall stayed below budget, resulting in total expenditures of \$11 below budget. The General Fund's fund balance decreased from \$296,914 a year ago to \$284,463 at June 30, 2007. Amendments to the budget were made for both revenues and expenditures.

Resources: contributions increased by \$5,000.00 due to a donation to purchase a new microfilm reader-printer.

Charges to Appropriations: A first time employer contribution to the MERS Pension Plan was necessary this year. The cost of snow removal increased this year due to inclement weather conditions. The Library repaired a sunken sidewalk, installed a new telephone system, and added new data wiring. New Computer management software was also installed.

Capital Asset and Debt Administration

At June 30, 2007 the Library had \$1,173,917 invested in a broad range of capital assets, land, buildings, books and other collections and furniture and equipment.

South Haven Memorial Library  
Management's Discussion and Analysis  
June 30, 2007

Economic Factors and Next Year's Budgets and Rates

Employee salaries, as well as employee benefits, including payroll taxes, increased again this year due to inflation and annual merit raises. Health insurance costs for our three full time employees have increased again this year.

The State of Michigan temporarily suspended State Aid to Libraries, causing our Library Cooperative to dissolve. State aid has been promised to libraries, but it is uncertain at this point if any aid money will be received. Next year's budget may reflect an increase in funding for Inter-Library Loan services.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and other interested parties with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (269) 637-2403.



South Haven Memorial Library  
Governmental Funds Balance Sheet/Statement of Net Assets  
June 30, 2007

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash	\$ 273,860	\$ -	\$ 273,860
Receivables:			
Taxes	5,672	-	5,672
Penal fines	3,189	-	3,189
Due from other governmental units	3,569	-	3,569
Property, plant and equipment	<u>-</u>	<u>538,546</u>	<u>538,546</u>
Total assets	<u>\$ 286,290</u>	<u>\$ 538,546</u>	<u>\$ 824,836</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,827	\$ -	\$ 1,827
Long-term debt	<u>-</u>	<u>11,197</u>	<u>11,197</u>
Total Liabilities	<u>\$ 1,827</u>	<u>\$ 11,197</u>	<u>\$ 13,024</u>
<b>Fund Balance/Net Assets</b>			
Fund Balances			
Reserved	12,507	(12,507)	-
Unreserved	<u>271,956</u>	<u>(271,956)</u>	<u>-</u>
Total fund equities	<u>284,463</u>	<u>(284,463)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 286,290</u>		
<b>Net Assets</b>			
Invested in Capital Assets-Net of Related Debt		538,546	538,546
Restricted		12,507	12,507
Unrestricted		<u>260,759</u>	<u>260,759</u>
Total Net Assets		<u>\$ 811,812</u>	<u>\$ 811,812</u>

The accompanying notes are an integral part of this statement.

South Haven Memorial Library  
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund  
Balance/Statement of Activities  
Year ended June 30, 2007

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
Revenues:			
Property taxes	\$ 225,577		\$ 225,577
State grants	9,631		9,631
Penal fines	45,297		45,297
Contributions	11,024	9,590	20,614
Fees and book fines	10,388		10,388
Interest	8,476		8,476
Other revenue	6,549		6,549
TOTAL REVENUES	316,942	9,590	326,532
Expenditures:			
Salaries and wages	148,863	4,020	152,883
Payroll taxes	11,696		11,696
Employee benefits	20,505		20,505
Books and related materials	53,647	(53,647)	-
Supplies	6,399		6,399
Southwest Michigan Library Cooperative	1,721		1,721
Repairs and maintenance	1,709		1,709
Professional and contractual services	10,431		10,431
Insurance	4,708		4,708
Telephone	3,136		3,136
Building maintenance	16,035		16,035
Utilities	18,246		18,246
Capital outlay	19,193	(19,193)	-
Depreciation	-	61,196	61,196
Miscellaneous	13,104		13,104
TOTAL EXPENDITURES	329,393	(7,624)	321,769
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,451)	17,214	4,763
Fund balances - July 1	296,914	510,135	807,049
Fund balances - June 30	\$ 284,463	527,349	811,812

The accompanying notes are an integral part of this statement.

South Haven Memorial Library  
Fiduciary Fund - Statement of Net Assets  
June 30, 2007

	Expendable <u>Trust Fund</u>
Assets	
Cash	\$ <u>98,405</u>
Total Assets	\$ <u>98,405</u>
Net Assets	
Held in Trust for Library	\$ <u>98,405</u>

The accompanying notes are an integral part of this statement.

South Haven Memorial Library  
Fiduciary Fund - Statement of Changes in Net Assets  
Year ended June 30, 2007

	<u>Expendable Trust Fund</u>
Additions	
Contributions	\$     741
Interest Income	<u>     2,076</u>
Change in Net Assets	2,817
Net Assets - July 1	<u>  95,588</u>
Net Assets - June 30	\$ <u> 98,405</u>

The accompanying notes are an integral part of this statement.

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the South Haven Memorial Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the South Haven Memorial Library:

1. Reporting Entity

The South Haven Memorial Library is governed by a seven-member Board of Trustees appointed by South Haven Township and the City of South Haven. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the South Haven Memorial Library.

The Statement of Activities demonstrates the degree to which the direct expenses of providing library services are offset by the revenues designated to fund those services. All of the revenues of the Library are intended to pay for those direct expenses.

Separate financial statements are provided for the Fiduciary Fund which is excluded from the government wide financial statements.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation-Cont.

recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The various funds are presented in these financial statements as follows:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library.

Expendable Trust Fund - The Expendable Trust Fund is used to account for donor restricted assets that are intended to be designated for large capital expenditures and reading materials. The amount in the expendable trust fund is attributable mostly from private donations and earnings. One of the provisions was that the monies be segregated from general operating funds. Distributions from this fund can be made from principal for any qualifying expenditure as determined by the Library Board but only after a minimum balance of \$100,000 is attained. The Library Board has the right to re-evaluate and change any guidelines and conditions.

4. Capital Assets

Capital assets, which include property, plant and equipment are reported in the Statement of Net Assets column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	55 years
Building improvements	15 - 30 years
Collections	10 years
Equipment	7 - 15 years
Furniture and Fixtures	7 - 15 years
Computer Equipment	5 years

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about June 1, the Library submits to the general public a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. On or about July 1, the budget is legally enacted through passage of a resolution.
- d. The Library Board is authorized to transfer budgeted amounts within departments within any activities.
- e. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the general fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by Library Board as of June 30, 2007.

6. Compensated Absences

Library employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation pay and sick leave may accumulate and be carried over to a subsequent year, subject to restrictions. No portion of unused sick leave is paid to employees at the time of termination or retirement.

7. Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Risk Management

The South Haven Memorial Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical benefits provided to employees. The Library has purchased commercial insurance for medical benefits claims and for claims relating to general liability, excess liability, physical damage (equipment, buildings and contents) and worker compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

10. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

11. Cash Equivalents

The Library considers all short-term investments with an original maturity of three months or less to be cash equivalents.

NOTE B - CASH

The Library's cash at June 30, 2007 was reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash	\$ 273,860	\$ 98,405	\$ 372,265

At June 30, 2007 the carrying amount of the Library's deposits was \$372,265. The bank balance of the Library's deposits was \$383,232. The bank balance was covered by federal depository insurance.

NOTE C - CAPITAL ASSETS

Capital asset activity of the Library for the year ended June 30, 2007 was as follows:



South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE C - CAPITAL ASSETS - CONTINUED

	Balance July 1 <u>2006</u>	Addi- tions	Dele- tions	Balance June 30 <u>2007</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ <u>15,322</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>15,322</u>
Capital Assets Being Depreciated				
Building	515,229	-	-	515,229
Building improvements	92,972	-	-	92,972
Collections	346,783	58,957	23,816	381,924
Equipment	22,318	6,720	-	29,038
Furniture and Fixtures	98,077	4,835	-	102,912
Computer Equipment	<u>42,781</u>	<u>11,918</u>	<u>18,179</u>	<u>36,520</u>
Subtotal	<u>1,118,160</u>	<u>82,430</u>	<u>41,995</u>	<u>1,158,595</u>
Less Accumulated Depreciation for				
Building	310,473	9,368	-	319,841
Building improvements	38,288	5,768	-	44,056
Collections	154,485	36,435	23,816	167,104
Equipment	20,183	658	-	20,841
Furniture and Fixtures	61,154	5,751	-	66,905
Computer Equipment	<u>31,587</u>	<u>3,216</u>	<u>18,179</u>	<u>16,624</u>
Subtotal	<u>616,170</u>	<u>61,196</u>	<u>41,995</u>	<u>635,371</u>
Net Capital Assets Being Depreciated	<u>501,990</u>	<u>21,234</u>	<u>-</u>	<u>523,224</u>
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	\$ <u>517,312</u>	\$ <u>21,234</u>	\$ <u>-</u>	\$ <u>538,546</u>

NOTE D - PENSION PLAN

The Library contributes through the City of South Haven to the Michigan Municipal Employees' Retirement System, a cost-sharing multiple employer defined benefit pension plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The system issues a publicly available financial report. That report may be obtained by writing to the City of South Haven at 539 Phoenix Street, South Haven, Michigan.

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE D - PENSION PLAN - CONTINUED

The obligation to contribute to and maintain the system for these employees was established by a resolution of the Library's Board of Directors and requires no contribution from the employees. The Library is required to contribute at actuarial required rates; the current rate is 1.08% of covered payroll. The Library's contribution to the pension plan for the years ending June 30, 2007, 2006, and 2005 were \$959, \$0, and \$0, respectively, and were equal to the actuarially required contributions for each year.

NOTE E - LONG-TERM DEBT

Long-term debt consists of accumulated employee benefits that represents the estimated liability to be paid governmental fund type employees under the Library's vacation pay policy. Under the Library's policy, employees can earn vacation time based on the time of service with the Library.

	Balance July 1 <u>2006</u>	Additions (Reductions)	Balance June 30 <u>2007</u>	Due Within <u>One Year</u>
Accumulated employee benefits	<u>\$7,177</u>	<u>\$4,020</u>	<u>\$11,197</u>	<u>\$ -0-</u>

NOTE F - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Library's actual and budgeted expenditures have been adopted on a functional basis.

This is the same basis for which the budget has been legally adopted.

During the year ended June 30, 2007, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total <u>Appropriations</u>	Total <u>Expenditures</u>	Budget <u>Variance</u>
General Fund			
Employee benefits	\$ 19,500	\$ 20,505	\$ 1,005
Payroll taxes	11,224	11,696	472
Books and related materials	53,500	53,647	147
Supplies	3,800	6,399	2,599
Insurance	4,000	4,708	708
Building maintenance	13,000	16,035	3,035
Miscellaneous	9,300	13,104	3,804

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

NOTE G - RESTRICTED NET ASSETS

The South Haven Memorial Library has received several contributions that have stipulations on how the money can be spent. As of June 30, 2007, the balance of cash restricted by donors for particular purposes was \$12,507.

REQUIRED SUPPLEMENTAL INFORMATION

South Haven Memorial Library  
Budgetary Comparison Schedule-General Fund  
Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	296,914	296,914	296,914	-
Resources (Inflows)				
Property taxes	205,000	205,000	225,577	20,577
State grants	3,000	3,000	9,631	6,631
Penal fines	45,000	45,000	45,297	297
Contributions	5,000	10,000	11,024	1,024
Fees and book fines	9,400	9,400	10,388	988
Interest	7,000	7,000	8,476	1,476
Other revenue	8,250	8,250	6,549	(1,701)
Amounts Available for Appropriation	579,564	584,564	613,856	29,292
Charges to Appropriations (Outflows)				
Salaries and wages	150,000	150,000	148,863	1,137
Employee benefits	18,500	19,500	20,505	(1,005)
Payroll taxes	11,224	11,224	11,696	(472)
Books and related materials	53,500	53,500	53,647	(147)
Supplies	3,800	3,800	6,399	(2,599)
Southwest Michigan Library Cooperative	2,700	2,700	1,721	979
Repairs and maintenance	1,900	1,900	1,709	191
Professional and contractual services	12,800	12,800	10,431	2,369
Insurance	4,000	4,000	4,708	(708)
Telephone	3,180	3,180	3,136	44
Building maintenance	14,000	13,000	16,035	(3,035)
Utilities	19,500	19,500	18,246	1,254
Capital outlay	25,000	25,000	19,193	5,807
Miscellaneous	9,300	9,300	13,104	(3,804)
Total Charges to Appropriations	329,404	329,404	329,393	11
Budgetary Fund Balance-June 30	250,160	255,160	284,463	29,303

The accompanying notes are an integral part of this statement.

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September 6, 2007

Members of the Library Board  
South Haven Memorial Library  
South Haven, Michigan

In connection with my examination of the statement of net assets of the South Haven Memorial Library as of June 30, 2007 and the related statement of activities and the fiduciary fund statements for the year then ended, I have reviewed the accounting policies and procedures employed by the Library and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the South Haven Memorial Library for the year ended June 30, 2007, and have issued my report thereon dated September 6, 2007. As part of my examination, I made a study and evaluation of the system of internal accounting control of the South Haven Memorial Library to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the South Haven Memorial Library is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting procedures.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Library taken as a whole. However, I noted certain matters that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the organization's

ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The size of the Library's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Library Board continue to take an active role in the financial affairs of the Library to provide oversight and independent review functions.

A budget is required by the State Constitution and by the State Statutes and is the only basis for spending. A local unit cannot budget expenditures in excess of anticipated revenues nor can it overspend its adopted budget unless a change in the budget is approved by the Library Board. During the past fiscal period, the Library Board overspent in several departments. In order to prevent this from happening in the future, I would suggest that financial statements be submitted to the Library Board periodically, which would show the adopted budget, amount spent to date, and the unexpended balance in the account. Then, if it became apparent that an account needed additional funds, the Library Board could amend the budget to cover the anticipated deficiency. Any amendments to the adopted budget should be held to a minimum and should be authorized by resolution of the Library Board and recorded in the Board minutes. The amendments should be listed separately, preferably in the body of the Board minutes. It should be clear to the user which accounts are being increased or decreased. If an expenditure account is being amended because of new revenues or by other circumstances, the revenue accounts should be amended also. This comment is a carryover from last year.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same from them in the future. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,



C. P. A. PLLC

Calvin D. Meeusen, C.P.A.